



STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES
KEVIN W. CONCANNON, DIRECTOR

INFORMATIONAL LETTER NO. 750

September 19, 2008

TO: Iowa Medicaid Habilitation Services Providers

ISSUED BY: Iowa Department of Human Services, Iowa Medicaid Enterprise

RE: Habilitation Services Cost Reporting and Cost Settlement

In response to inquiries and requests to the Iowa Medicaid Enterprise (IME), the following is being provided to clarify existing policy and recent changes regarding cost reporting and cost settlement for the Habilitation Services Program.

Retrospective Cost-Related Reimbursement

Provisions of Iowa Administrative Code Section 441 Chapter 79.1 require that Habilitation Services be reimbursed using retrospective cost-related reimbursement. After the end of your fiscal year, you must submit your actual costs on the Habilitation Services Cost Report (Form 470-4425). Your cost report will be used for two purposes:

1. To determine the finalized payment rate for the services that were provided during the cost report period. The finalized payment rate shall not exceed the maximum rate limit.
2. To determine your 'interim rate' for the following fiscal year. The finalized payment rate referred to above will become your new 'interim rate'.

The finalized payment rate will be used to perform a 'cost settlement' that will correct your payments for paid claims to match your allowable Medicaid costs not to exceed the maximum limit. The cost settlement calculation will:

- Reprice paid claims using the finalized rate for the cost report period to recalculate the Medicaid payments.
- Reprice paid claims using the new 'interim rate' from the end of the cost report period to the date the 'interim rate' was entered to recalculate Medicaid payments.
- Your paid claims will be adjusted by the IME to reflect the finalized rate. You will receive either a payment or a recoupment depending on whether your finalized rate is higher or lower than what you were paid in the past.
- You will be notified of your finalized rates through US Mail prior to these adjustments being done.

1% Increase

As stated in Informational Release No. 724, issued on July 7, 2008, Habilitation Services providers were granted a 1% increase to their rate cap effective July 1, 2008. **This increase does not raise the current interim payment rates.** The increase raised the maximum rate cap by 1%, and will be implemented when annual cost reports that include services provided on or after July 1, 2008 are received and rates are finalized through the cost reporting and settlement process outlined above. This process is historically consistent with how increases in caps or limits have been implemented for waivers and other cost settled programs.

Exception to Policies

Exceptions to policy to exceed a rate cap may be requested by accessing the Appeals section of the DHS website at http://www.dhs.state.ia.us/dhs/appeals/exceptions_policy.html. The request for an exception must include:

- A written justification of the unusual or exceptional circumstances that would warrant the increased expenditure.
- The Certification Page, Schedule D and Schedule F of the Habilitation Services Cost Report (Form 470-4425).

The submitted documentation will be reviewed by IME Policy staff, and a recommendation made to the director of the Department of Human Services, who will make the final decision and issue a written response. If you choose to request a renewal of a previously approved exception to policy, it is best to do this at least two months prior to the expiration of the previous exception.

Approval of an exception to exceed a rate cap will affect how you complete your annual cost report. The Habilitation Services Provider Manual is being revised to include instructions for these circumstances. Until those changes are published, instructions will be sent to providers with approved exceptions as an attachment to the Cost Report Request Letter sent by the Provider Cost Audit and Rate Setting Unit. **Claims that are paid pursuant to an exception to exceed a rate cap are excluded from year-end cost settlement and will not be mass adjusted at the conclusion of your cost report desk review.**

If you have any questions regarding the above-mentioned information, please contact the Provider Cost Audit and Rate Setting Unit via email at costaudit@dhs.state.ia.us or by calling 866-863-8610.